

Message Text

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PAGE 01 NEW DE 13175 01 OF 02 141543Z

46

ACTION NEA-12

INFO OCT-01 ISO-00 L-03 ABF-01 FBO-01 A-01 FS-01 AGR-20

AID-20 CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00

RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06

OMB-01 IGA-02 SS-20 NSC-10 DODE-00 PA-04 USIA-15

PRS-01 DRC-01 CU-04 /172 W
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R 141319Z NOV 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 7871

LIMITED OFFICIAL USE SECTION 1 OF 2 NEW DELHI 13175

E.O. 11652: N/A

TAGS: EFIN, IN

SUBJECT: RUPEE NEGOTIATIONS

BEGIN SUMMARY: WHILE TUPPER BROWN (L/NEA) IS HANDCARRYING FULL TEXT OF DRAFT AGREEMENT WHICH WORKED OUT AS A RESULT CONVERSATIONS WITH GOI LAST WEEK, WE BELIEVE IT USEFUL SUBMIT SEPARATELY FULL TEXT OF CERTAIN KEY PROVISIONS AS FOLLOWS BELOW. THESE PROVISIONS RELATE TO COVERIONS, TRANSITION PROVISIONS FOR THE REMAINDER OF US FY '74, MAINTENANCE OF VALUE, AND USG USES. FULL TEXT DRAFT AGREEMENT DELIVERED TO GOI NOVEMBER 14. END SUMMARY.

1. IN DISCHARGE OF THE CONVERSION OBLIGATIONS CONTAINED IN THE AGREEMENTS LISTED IN ANNEX IV, THE GOVERNMENT OF INDIA WILL EXCHANGE RUPEES HELD IN THE COOLEY ACCOUNT FOR UNITED STATES DOLLARS IN AN AMOUNT EQUAL TO DOLS 63.4 MILLION, IN TEN EQUAL INSTALLMENTS, ON THE FIRST BUSINESS DAY IN INDIA OF JULY OF CALENDAR YEARS 1974 THROUGH 1983. THE APPLICABLE RUPEE/DOLLAR EXCHANGE RATE SHALL BE THE HIGHEST RATE AT WHICH, UNDER THE RULES AND REGULATIONS
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PAGE 02 NEW DE 13175 01 OF 02 141543Z

OF THE RESERVE BANK OF INDIA, INDIAN RUPEES ARE EXCHANGED

FOR UNITED STATES DOLLARS ON THE DATE OF CONVERSION, INCLUDING THE HIGHEST RATE OBTAINABLE BY ANY OTHER NATION; PROVIDED, THAT IF THE APPLICABLE EXCHANGE RATE FOR ANY REASON CANNOT BE THEREBY DETERMINED, IT SHALL BE EQUAL TO THE HIGHEST SUCH RATE LEGALLY OBTAINABLE IN INDIA ON SUCH DATE, INCLUDING THE HIGHEST RATE OBTAINABLE BY ANY OTHER NATION.

2. ALL UNITED STATES DOLLARS OBTAINED BY THE GOVT OF THE USA PURSUANT TO THE PRECEDING PARAGRAPH 2(A) MAY, WITHOUT ANY RESTRICTION OR IMPOSITION, BE TRANSFERRED TO THE UNITED STATES OR OTHERWISE EMPLOYED AS THE GOVERNMENT OF THE UNITED STATES OF AMERICA SHALL DETERMINE.

3. IN THE EVENT THAT, BASED ON THE RUPEE/DOLLAR EXCHANGE RATE APPLICABLE IN ACCORDANCE WITH PARAGRAPH 2(A), ABOVE, COOLEY AGREEMENT PAYMENTS RECEIVED AND DEPOSITED IN THE COOLEY ACCOUNT BY THE GOVERNMENT OF THE UNITED STATES OF AMERICA DURING THE TWELVE MONTHS PRECEDING THE DATE OF ANY SCHEDULED CONVERSION, PROVE INSUFFICIENT AS OF SUCH DATE TO EQUAL THE DOLLARS THEN DUE, THE GOVERNMENT OF THE UNITED STATES OF AMERICA MAY MEET ANY AND ALL SUCH DEFICITS BY USE OF ITS RETAINED NON-PUBLIC LAW 480 RUPEES, AS PROVIDED IN PARAGRAPH 10(A) OF PART II OF THIS AGREEMENT.

4. IT IS RECOGNIZED THAT THE BUDGETARY PROCESS OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA WILL REQUIRE THE USE OF CERTAIN PUBLIC LAW 480 RUPEES FOR OBLIGATIONS INCURRED ON PAYABLE IN INDIA DURING ITS PRESENT FISCAL YEAR ENDING JUNE 30, 1974. ACCORDINGLY, PUBLIC LAW 480 RUPEES REMAINING IN THE TRANSITION ACCOUNT AFTER THE DATE OF THIS AGREEMENT (ESTIMATED TO BE RS.-----) MAY BE EXPENDED OR COMMITTED FOR ANY OF THE PURPOSES AND ACTIVITIES FOR WHICH PUBLIC LAW 480 RUPEES HAD BEEN SPENT BY THE GOVERNMENT OF THE UNITED STATES OF AMERICA PRIOR TO JUNE OF 1972 IN ACCORDANCE WITH PROCEDURES IN EFFECT PRIOR TO SUCH DATE; PROVIDED, HOWEVER, THAT ANY SUCH RUPEES WHICH HAVE NOT BEEN SO EXPENDED OR COMMITTED AS OF JUNE 30, 1974 SHALL BE TRANSFERRED PROMPTLY THEREAFTER LIMITED OFFICIAL USE

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PAGE 03 NEW DE 13175 01 OF 02 141543Z

TO THE GOVERNMENT OF INDIA AS AN ADDITIONAL PART OF THE GRANT PROVIDED FOR IN PARAGRAPH 3 ABOVE, SUCH AMOUNT TO BE ALLOCATED AMONG THE SECTORS SPECIFIED IN PARAGRAPH 4(A) AS THE GOVERNMENT OF INDIA SHALL DETERMINE.

5. THE FOLLOWING PROVISIONS PERTAIN TO MAINTENANCE OF VALUE BY THE GOVERNMENT OF INDIA OF A PORTION OF THE NON-PUBLIC LAW 480 RUPEES TO BE RETAINED BY THE GOVERNMENT

OF THE UNITED STATES OF AMERICA SUBSEQUENT TO THE DATE OF
THIS AGREEMENT:

(A) THE TWO GOVERNMENTS AGREE THAT, WITH REFERENCE
TO THE RUPEE ACCOUNT TO WHICH THESE RUPEES ARE TO BE
TRANSFERRED PURSUANT TO THE TERMS OF THIS AGREEMENT, SAID
ACCOUNT IS TO BE MAINTAINED IN DOLLAR VALUE TO THE EXTENT,
INITIALLY, OF DOLS 500 MILLION, THE REMAINDER OF THE ACCOUNT
IS TO CARRY NO MAINTENANCE OF DOLLAR VALUE. A DECLINING
POR-
TION OF THE ACCOUNT WILL BE MAINTAINED IN DOLLAR
VALUE IN ACCORDANCE WITH THE SCHEDULE IN ANNEX VIII.

(B) IN ORDER TO MAINTAIN THE DOLLAR VALUE OF THAT
PORTION OF THE RUPEE ACCOUNT COVERED BY THE SCHEDULE IN
ANNEX VIII, ANY NECESSARY ADJUSTMENT OF THE BALANCE OF
THE RUPEE ACCOUNT SHALL BE MADE ONCE EACH YEAR ON THE
FIRST BUSINESS DAY IN INDIA FOLLOWING THE ANNIVERSARY
DATE OF THIS AGREEMENT. SUCH ADJUSTMENT SHALL BE CALCU-
LATED ON THE BASIS OF THE DAILY AVERAGE DURING THE PRE-
CEDING YEAR OF THE HIGHEST BUYING RATE FOR RUPEES WITH
DOLLARS OBTAINABLE UNDER THE RULES AND REGULATIONS OF THE
RESERVE BANK OF INDIA, INCLUDING THE HIGHEST RATE OBTAINED
BY ANY OTHER NATION; PROVIDED, THAT IF THE APPLICABLE
ANNUAL AVERAGE EXCHANGE RATE FOR ANY REASON CANNOT BE
THEREBY DETERMINED IN WHOLE OR IN PART, SUCH RATE SHALL
THEN, TO THE EXTENT NECESSARY, BE CONSIDERED EQUAL TO THE
DAILY AVERAGE OF THE HIGHEST BUYING RATE FOR RUPEES WITH
DOLLARS LEGALLY OBTAINABLE IN INDIA DURING THE PRECEDING
YEAR, INCLUDING THE HIGHEST RATE OBTAINED BY ANY OTHER
NATION.

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PAGE 01 NEW DE 13175 02 OF 02 141543Z

46

ACTION NEA-12

INFO OCT-01 ISO-00 L-03 ABF-01 FBO-01 A-01 FS-01 AGR-20

AID-20 CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00

RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06

OMB-01 SS-20 NSC-10 DODE-00 PA-04 USIA-15 PRS-01 CU-04

DRC-01 /170 W

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R 141306Z NOV 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 7872

LIMITED OFFICIAL USE SECTION 2 OF 2 NEW DELHI 13175

6. THE FOLLOWING PROVISIONS PERTAIN TO EXPENDITURES BY THE GOVERNMENT OF THE UNITED STATES OF AMERICA OF ITS RETAINED NON-PUBLIC LAW 480 RUPEES AS WELL AS TO THE EXCESS RUPEES IN THE COOLEY ACCOUNT MENTIONED IN PARAGRAPH 2(D) OF PART I, FOLLOWING THE DATE OF THIS AGREEMENT:

(A) EXISTING ARRANGEMENTS UNDER WHICH THE GOVERNMENT OF THE UNITED STATES OF AMERICA FURNISHES TO THE GOVERNMENT OF INDIA AN ANNUAL ESTIMATE OF CONTEMPLATED EXPENDITURES FROM ITS RUPEE BALANCES DURING THE FORTHCOMING INDIAN FISCAL YEAR WILL CONTINUE UNTIL ALL SUCH RUPEES OWNED OR TO BE OWNED BY THE GOVERNMENT OF THE UNITED STATES OF AMERICA HAVE BEEN EXPENDED.

(B) THE GOVERNMENT OF THE UNITED STATES OF AMERICA

WILL ENSURE THAT FUTURE ANNUAL EXPENDITURES OF SUCH RUPEES WILL BE MADE ONLY WITHIN THE FOLLOWING GENERAL CATEGORIES: (I) ESTABLISHED USES OF RUPEES BY THE GOVERNMENT OF THE UNITED STATES OF AMERICA, PRIOR TO JUNE OF 1972, IN ACCORDANCE WITH THE PROCEDURES IN EFFECT
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PAGE 02 NEW DE 13175 02 OF 02 141543Z

PRIOR TO THAT DATE; (II) OTHER USES HEREIN AGREED UPON, AS IDENTIFIED IN PARAGRAPH 10 BELOW; OR (III) SUCH OTHER USES AS SHALL BE APPROVED BY THE GOVERNMENT OF INDIA.

(C) THE GOVERNMENT OF THE UNITED STATES OF AMERICA WILL FURTHER ENSURE THAT, EXCEPT AS THE TWO GOVERNMENTS SHALL OTHERWISE MUTUALLY AGREE, ITS FUTURE ANNUAL RUPEE EXPENDITURES OF SUCH RUPEES, FOR ALL CATEGORIES OF EXPENDITURES, WILL NOT EXCEED APPRECIABLY, IN TOTAL, ITS LEVELS OF RUPEE EXPENDITURES DURING THE YEARS IMMEDIATELY PRECEDING JUNE OF 1972 FOR ALL ACTIVITIES FINANCED BY IT, WITH THE EXCEPTION (FOR PURPOSES OF COMPUTATION) OF DEVELOPMENT GRANTS MADE TO THE GOVERNMENT OF INDIA IN THESE YEARS PURSUANT TO SECTION 104(F) OF PUBLIC LAW 480. FURTHER, REASONABLE ALLOWANCE IS TO BE MADE FOR PRICE INFLATION IN THE COMPUTATION, PURSUANT TO

THIS SUB-PARAGRAPH, OF THE PERMISSIBLE FUTURE LEVELS OF
RUPEE EXPENDITURES.
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Message Attributes

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